



STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SPRINGFIELD 62706

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FISCAL YEAR 2019 THIRD QUARTER FINANCIAL REVIEW

THIRD QUARTER HIGHLIGHTS

Fiscal Year 2019's third quarter saw modest performance for revenue sources linked to economic activity. Personal income and corporate income taxes grew at a reasonable pace. Sales tax receipts, along with modest gains in inheritance taxes and investment income, helped to offset weaker than expected federal revenues ending the quarter on a positive note. Third quarter expenditures increased by \$1,064 million compared to FY18 third quarter expenditures.

Detailed third quarter and year-to-date information is presented on the following pages.

TREASURER'S INVESTMENT BORROWING

Public Act 100-1107 authorized the State Treasurer to invest or reinvest any State money in the Treasury that is not needed for current expenditures via deposit into the General Revenue Fund (GRF) or Health Insurance Reserve Fund (HIRF), when the total amount of vouchers presented to the Comptroller exceeds the funds available in GRF by \$1 billion. Up to \$2 billion of state funds not immediately needed for current expenses can be deposited into the General Revenue Fund or HIRF to pay down the current bill backlog. These transfers are governed by written agreements between the Treasurer and Comptroller. All of the current filed agreements outline a six-month repayment period to the fund of origin, including both principal and interest. Year-to-date, \$700 million has been invested under this new authority (\$365 million of this total has been returned to its original fund, along with \$6 million in calculated interest).

ILLINOIS ECONOMIC INDICATORS

Illinois real Gross Domestic Product (GDP) continues to grow albeit at a slower pace compared to the Midwest and U.S. averages. The state continues to add jobs moving further into full employment. As a result, personal income and wage growth has begun to accelerate, pushing Illinois per capita income growth higher than its regional competitors. The state has also seen a recent resurgence in central and downstate manufacturing, resulting in a boost in some of the smaller economies found outside the Chicagoland area. Illinois's business climate remains stable as business costs have maintained some stability. Several economic indicators continue to hold the state back. The housing market has struggled and declining populations will stymie growth. The state will continue to ride positive momentum stemming from national and global economic growth and its own ability to stay competitive among its peers.

GENERAL FUNDS OVERVIEW

GENERAL FUNDS CASH FLOW				
Third Quarter and Year-to-Date Review				
(\$ in millions)				
	Third Quarter		Year-to-date	
	FY18 Actual	FY19 Actual	FY18 Actual	FY19 Actual
Beginning Backlog at Comptroller	\$ (6,685)	\$ (6,084)	\$ (8,191)	\$ (4,180)
Beginning Cash Balance	\$ 502	\$ 190	\$ 1,368	\$ 125
Revenues				
Individual Income Tax	\$ 5,224	\$ 5,051	\$ 12,346	\$ 12,950
Corporate Income Tax	313	310	1,135	1,297
Sales Tax	1,814	1,891	5,869	6,238
Other Sources/Transfers In	1,351	1,293	6,552	4,090
State Source Revenues	\$ 8,702	\$ 8,545	\$ 25,899	\$ 24,575
Federal Sources	859	738	4,379	1,991
Interfund Borrowing	162	0	516	250
Investment Borrowing	0	50	0	750
Total Revenues	\$ 9,724	\$ 9,334	\$ 30,795	\$ 27,566
Expenditures				
Current Year Vouchers	\$ 8,129	\$ 9,092	\$ 25,126	\$ 25,415
Prior Year Vouchers	0	0	1,595	1,903
Subtotal, Vouchers Presented	\$ 8,129	\$ 9,092	\$ 26,721	\$ 27,318
Posted Transfers Out	39	59	532	379
Transfer to GO Bond Debt Service Fund	769	603	2,124	2,122
Investment Borrowing Repayments	0	250	0	265
Prior Year Adjustments	(11)	(15)	(22)	(26)
Total Expenditures	\$ 8,924	\$ 9,988	\$ 29,356	\$ 30,058
End of Quarter Cash Balance	\$ 414	\$ 308	\$ 414	\$ 308
End of Quarter Backlog at Comptroller	\$ (5,797)	\$ (6,855)	\$ (5,797)	\$ (6,855)

Source: Illinois Office of the Comptroller

Note: Backlog figures do not include bills held at agencies. For information on bills held at agencies please refer to the Backlog Report at budget.illinois.gov.

General Funds' third quarter revenues totaled \$9,334 million, a decrease of \$390 million, or 4.0%, from the FY18 third quarter level. The primary driver for this change was a decrease in federal matching revenues and non-recurring interfund borrowing from other state funds into the general funds.

FY19 third quarter General Funds' expenditures totaled \$9,988 million, an increase of \$1,064 million, or 11.9%, above the FY18 third quarter level.

GENERAL FUNDS REVENUES SUMMARY

GENERAL FUNDS REVENUES								
Third Quarter and Year-to-Date Review								
(\$ in millions)								
	Third Quarter		Change: FY18 Actual to FY19 Actual		Year-to-Date		Change: FY18 Actual to FY19 Actual	
	FY18 Actual	FY19 Actual	Dollar Change	Percent Change	FY18 Actual	FY19 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 6,125	\$ 5,935	\$ (190)	(3.1%)	\$ 14,477	\$ 15,217	\$ 740	5.1%
Income Tax Refund Fund	(600)	(576)	24	(4.0%)	(1,419)	(1,476)	(57)	4.0%
Local Government Distributive Fund Deposit	(301)	(308)	(7)	2.3%	(712)	(791)	(79)	11.1%
Net Individual Income Tax	\$ 5,224	\$ 5,051	\$ (173)	(3.3%)	\$ 12,346	\$ 12,950	\$ 604	4.9%
Gross Corporate Income	\$ 404	\$ 394	\$ (10)	(2.5%)	\$ 1,467	\$ 1,643	\$ 176	12.0%
Income Tax Refund Fund	(71)	(62)	9	(12.7%)	(257)	(255)	2	(0.8%)
Local Government Distributive Fund Deposit	(21)	(22)	(1)	4.8%	(75)	(91)	(16)	21.3%
Net Corporate Income Tax	\$ 313	\$ 310	\$ (3)	(1.0%)	\$ 1,135	\$ 1,297	\$ 162	14.3%
Gross Sales Tax	\$ 1,926	\$ 1,945	\$ 19	1.0%	\$ 6,154	\$ 6,492	\$ 338	5.5%
Downstate Public Trans/Public Trans Deposits	(111)	(54)	57	(51.4%)	(285)	(353)	(68)	23.9%
Net Sales Tax	1,814	1,891	77	4.2%	5,869	6,238	369	6.3%
Public Utility	262	265	3	1.1%	677	664	(13)	(1.9%)
Cigarette	80	87	7	8.6%	252	267	15	6.0%
Inheritance	66	101	35	53.0%	247	298	51	20.6%
Liquor	41	41	0	0.0%	130	131	1	0.8%
Insurance	78	58	(20)	(25.6%)	271	247	(24)	(8.9%)
Corporate Franchise	53	58	5	9.4%	161	191	30	18.6%
Investment Income	22	35	13	59.1%	53	98	45	84.9%
Cook County IGT	94	94	0	0.0%	150	150	0	0.0%
Other	126	119	(7)	(5.6%)	437	412	(25)	(5.7%)
TOTAL STATE REVENUES	\$ 8,172	\$ 8,110	\$ (62)	(0.8%)	\$ 21,728	\$ 22,944	\$ 1,216	5.6%
Federal Revenues	\$ 859	\$ 738	\$ (121)	(14.1%)	\$ 4,379	\$ 1,991	\$ (2,388)	(54.5%)
Transfers In	\$ 692	\$ 436	\$ (256)	(37.0%)	\$ 4,687	\$ 1,881	\$ (2,806)	(59.9%)
Lottery	168	171	3	1.8%	506	515	9	1.8%
Riverboat Gaming	64	66	2	3.1%	231	227	(4)	(1.7%)
Fund Reallocations	44	0	(44)	(100.0%)	251	0	(251)	(100.0%)
Special Bond Proceeds	0	0	0	0.0%	2,500	0	(2,500)	(100.0%)
Interfund Borrowing	162	0	(162)	(100.0%)	516	250	(266)	(51.6%)
Other	254	199	(55)	(21.7%)	683	889	206	30.2%
SUBTOTAL REVENUES	\$ 9,724	\$ 9,284	\$ (440)	(4.5%)	\$ 30,795	\$ 26,816	\$ (3,979)	(12.9%)
Investment Borrowing	0	50	50	0.0%	0	750	750	100.0%
TOTAL REVENUES	\$ 9,724	\$ 9,334	\$ (390)	(4.0%)	\$ 30,795	\$ 27,566	\$ (3,229)	(10.5%)

Source: Illinois Office of the Comptroller

Income Taxes: FY19 year-to-date (YTD) Individual Income Tax net receipts increased by \$604 million, or 4.9% from the FY18 YTD level due in part to rising personal incomes. \$791 million of individual income taxes were directly deposited into the Local Government Distributive Fund in the first three quarters of FY19.

FY19 YTD Corporate Income Tax (CIT) net receipts increased by \$162 million, or 14.3%, from the FY18 YTD level.

Sales Taxes: FY19 YTD Sales Tax net receipts increased by \$369 million, or 6.3%, from the FY18 YTD level. This increase is attributable to increased personal consumption and real wage growth, as well as online retailers collecting and remitting sales tax post *Wayfair*.

Public Utilities: FY19 YTD Public Utility receipts decreased by \$13 million, or 1.9%, from the FY18 YTD level.

Inheritance: FY19 YTD Inheritance receipts increased by \$51 million, or 20.6%, from the FY18 YTD level.

Federal Revenues: FY19 YTD Federal Revenues decreased by \$2,388 million, or 54.5%, compared to the FY18 YTD level. This decrease is attributable to over \$2,200 million in federal matching for Medicaid bill payments resulting from the November FY18 bill backlog bond sale deposit.

Transfers In: FY19 YTD Transfers In decreased by \$2,806 million, or 59.9%, compared to the FY18 YTD level. This decrease is attributable to a \$2,500 million deposit related to a November bond sale for the paydown of the state's bill backlog and \$251 million in fund reallocations in FY18.

GENERAL FUNDS REVENUES BUDGETED VERSUS ACTUALS SUMMARY

The table below sets forth General Funds year-to-date budgeted revenues versus year-to-date actual revenues for FY19. Total State Revenues (not including Transfers In) were \$442 million, or 2.0%, above the budgeted level. Federal revenues were \$543 million, or 21.4%, below the budgeted level.

GENERAL FUNDS REVENUES				
Year-to-Date Budgeted versus Actual				
	(\$ in millions)			
	FY19 YTD Budgeted*	FY19 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 15,039	\$ 15,217	\$ 178	1.2%
Income Tax Refund Fund	(1,459)	(1,476)	(17)	1.2%
Local Government Distributive Fund Deposit	(782)	(791)	(9)	1.2%
Net Individual Income Tax	\$ 12,798	\$ 12,950	\$ 152	1.2%
Gross Corporate Income	\$ 1,653	\$ 1,643	\$ (10)	(0.6%)
Income Tax Refund Fund	(256)	(255)	1	(0.4%)
Local Government Distributive Fund Deposit	(91)	(91)	0	0.0%
Net Corporate Income Tax	\$ 1,306	\$ 1,297	\$ (9)	(0.7%)
Gross Sales Tax	\$ 6,495	\$ 6,591	\$ 96	1.5%
Downstate Public Trans/Public Trans Deposits	(382)	(353)	29	(7.6%)
Net Sales Tax	\$ 6,113	\$ 6,238	\$ 125	2.0%
Public Utility	657	664	7	1.1%
Cigarette	256	267	11	4.3%
Inheritance	219	298	79	36.1%
Liquor	133	131	(2)	(1.5%)
Insurance	263	248	(15)	(5.7%)
Corporate Franchise	152	191	39	25.7%
Investment Income	70	98	28	40.0%
Cook County IGT	150	150	0	0.0%
Other	386	412	26	6.7%
TOTAL STATE REVENUES	\$ 22,502	\$ 22,944	\$ 442	2.0%
Federal Revenues	\$ 2,534	\$ 1,991	\$ (543)	(21.4%)
Transfers In	\$ 1,922	\$ 1,881	\$ (41)	(2.1%)
Lottery	520	515	(5)	(1.0%)
Gaming/Gaming Taxes	213	227	14	6.6%
Fund Reallocations	0	0	0	0.0%
Interfund Borrowing	400	250	(150)	(37.5%)
Other	789	889	100	12.7%
SUBTOTAL REVENUES	\$ 26,958	\$ 26,816	\$ (142)	(0.5%)
Investment Borrowing	0	750	750	0.0%
TOTAL REVENUES	\$ 26,958	\$ 27,566	608	2.3%

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget

*Budgeted figures are based on historical averages as well as information from the Department of Revenue on timing of income tax deposits.

Estimates were compiled on Feb 20, 2019.

Income Taxes: Individual Income Tax net receipts through the third quarter were \$152 million, or 1.2%, higher than budgeted levels. Corporate Income Tax net receipts through the third quarter were \$9 million, or 0.7%, lower than budgeted levels.

Sales Taxes: Sales Tax net receipts through the third quarter were \$125 million, or 2.0%, higher than budgeted levels.

Public Utilities: Public Utility receipts through the third quarter were \$7 million, or 1.1%, higher than budgeted levels.

Transfers In: Transfers In through the third quarter were \$41 million, or 2.1%, lower than budgeted levels.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY18 and FY19 third quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the third quarter of FY19 totaled \$9,092 million, an increase of \$963 million, or 10.6%, from the FY18 level.

GENERAL FUNDS EXPENDITURES				
Third Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	Third Quarter		Year-to-Date	
	FY18 Actual Spending	FY19 Actual Spending	FY18 Actual Spending	FY19 Actual Spending
Constitutional Officers ¹	\$ 76	\$ 76	\$ 228	\$ 227
DHFS	1,649	1,817	5,324	4,720
ISBE	2,122	2,297	5,556	6,037
DHS	861	909	2,423	2,457
Higher Education	371	457	1,545	1,600
SERS	281	352	1,038	1,056
TRS	982	1,204	3,331	3,443
SURS	252	360	1,216	1,140
Corrections	308	333	958	923
CMS	482	513	1,460	1,537
DCFS	180	172	506	503
Aging	238	256	595	599
ISP	59	57	162	173
Revenue	12	11	37	36
DPH	19	23	42	62
DNR	9	8	24	24
DCEO	3	4	8	9
All Others	223	243	672	869
Agency Totals	\$ 8,129	\$ 9,092	\$ 25,126	\$ 25,415

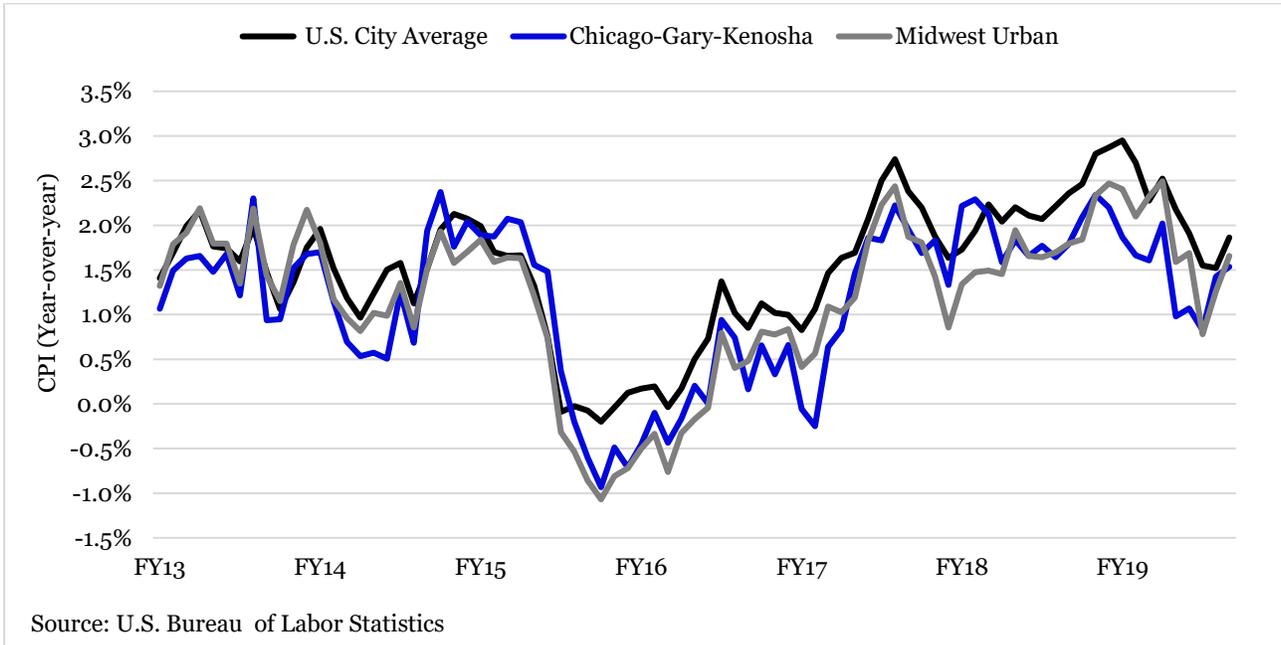
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

Note: Lapse period spending is not included in this table.

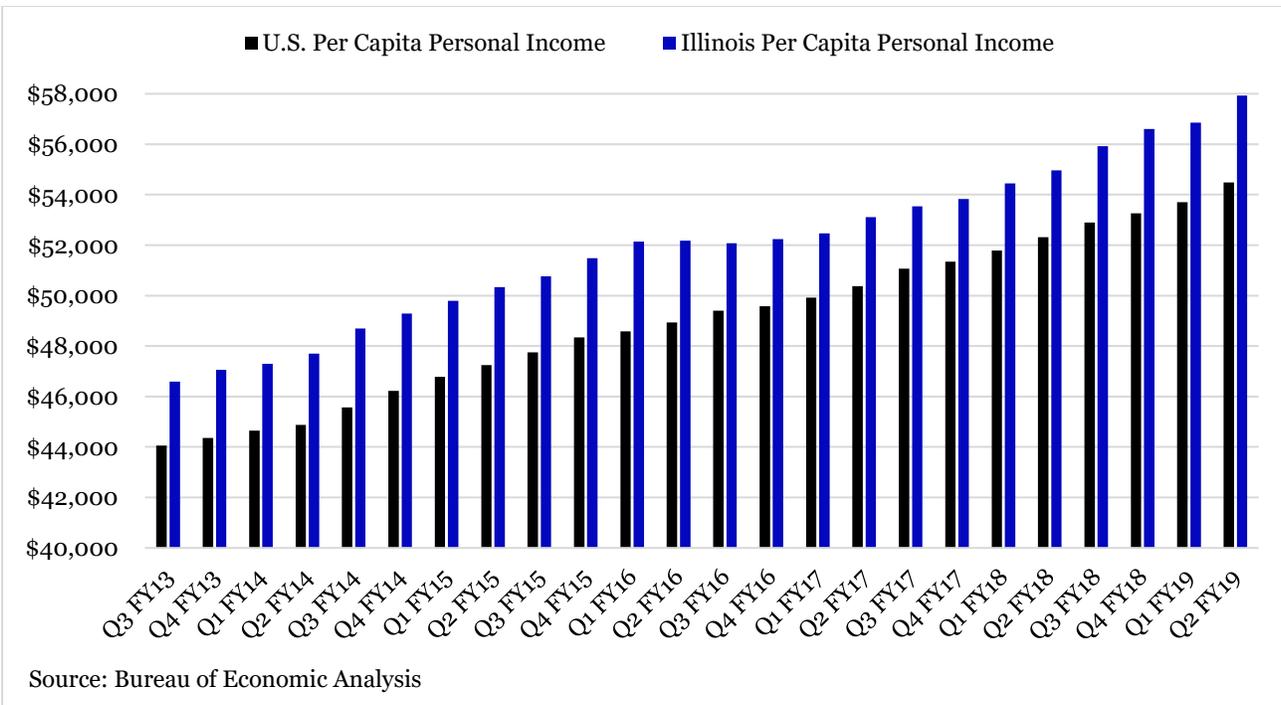
¹ Constitutional Officers exclude Auditor General.

KEY ECONOMIC INDICATORS

The graph below shows the year-over-year increase in the Consumer Price Index (CPI) for All Urban Consumers, all items, in the U.S., Chicago metropolitan area, and Midwest from July FY13 to March FY19. In March FY19, the CPI for U.S. city average increased 1.9% year-over-year. The CPI for Chicago metropolitan area increased 1.5% and the CPI for Midwest region increased 1.7%.



The graph below compares the per capita personal income between U.S. and Illinois from the third quarter of FY13 to the second quarter of FY19. The U.S. per capita personal income increased \$597 or 1.1% from \$53,883 in the first quarter of FY19 to \$54,480 in the second quarter of FY19. Year-over-year, U.S. per capita personal income increased \$2,162 or 4.3%. In Illinois, per capita personal income increased \$727 or 1.3% from \$57,201 in the first quarter of FY19 to \$57,927 in the second quarter of FY19. Year-over-year, Illinois per capita personal income increased \$2,959 or 5.6%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in February of FY19 was 3.8%, down from 4.1% during the same period last fiscal year. Illinois' unemployment rate of 4.3% in February of FY19 reflected a decrease of 0.4% from the state's unemployment rate of 4.7% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois increased 78,000 year-over-year in February, led by increases in Professional Services, Leisure and Hospitality and Education and Health Services.

EMPLOYMENT HIGHLIGHTS			
State and National Review			
EMPLOYMENT STATISTICS	<u>December FY18</u>	<u>December FY19</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,081,900	6,152,200	70,300
Unemployment Rate, Illinois	4.9%	4.3% ²	(0.6)
Unemployment Rate, United States	4.1%	3.9%	(0.2)
Labor Force Participation Rate, Illinois	64.7%	64.6%	(0.1)
Labor Force Participation Rate, United States	63.1%	63.1%	0.0
EMPLOYMENT STATISTICS	<u>January FY18</u>	<u>January FY19</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,094,700	6,172,700	78,000
Unemployment Rate, Illinois	4.1%	4.0% ²	(0.1)
Unemployment Rate, United States	4.1%	3.7%	(0.4)
Labor Force Participation Rate, Illinois	64.5%	64.6%	0.1
Labor Force Participation Rate, United States	63.0%	63.2%	0.2
EMPLOYMENT STATISTICS	<u>February FY18</u>	<u>February FY19</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,084,400	6,162,400	78,000
Unemployment Rate, Illinois	4.7%	4.3% ¹	(0.4)
Unemployment Rate, United States	4.1%	3.8%	(0.3)
Labor Force Participation Rate, Illinois	64.6%	64.6%	0.0
Labor Force Participation Rate, United States	63.0%	63.2%	0.2

Source: Illinois Department of Employment Security and United States Department of Labor.

¹Preliminary figures.

²Reflects revised population controls, model reestimation, and new seasonal adjustment.

ILLINOIS REAL ESTATE

According to Illinois REALTORS, median home prices in Illinois rose 1.1 percent in February year-over-year, and statewide home sales decreased 1.8 percent for the same period. The time it took to sell a home in February averaged 68 days, down from 71 days year-over-year. In February, available housing inventory totaled 47,711 homes for sale, a 3.0 percent decline from February 2018 when there were 49,193 homes on the market.